



**State of Louisiana**  
DIVISION OF ADMINISTRATION  
**OFFICE OF THE COMMISSIONER**

**M. J. "MIKE" FOSTER, JR.**  
GOVERNOR

**MARK C. DRENNEN**  
COMMISSIONER OF ADMINISTRATION

December 13, 2000

The Honorable Jerry Luke LeBlanc, Chairman  
House of Representatives  
Select Committee on Fiscal Affairs  
P. O. Box 44486  
Baton Rouge, LA 70804

Dear Representative LeBlanc:

RE: Accounts Receivable Policies Survey

The Select Committee on Fiscal Affairs recently requested this office to survey other states and our own state agencies to ascertain their policies regarding accounts receivable. The survey of other states' receivable and collection reporting procedures has been completed. Information was obtained from 17 states with various accounting or collection procedures and reporting criteria. The states from which information was obtained are Alaska, California, Colorado, Connecticut, Idaho, Illinois, Kansas, Kentucky, Massachusetts, Minnesota, Missouri, Nevada, North Carolina, Utah, Virginia, Washington, and Wisconsin (Attachments 2-A through 2-Q). Information was requested from seven other states (Alabama, Arizona, Arkansas, Indiana, Mississippi, and Rhode Island); however, they did not reply to the request. In addition to the Executive Summary contained herein, each individual state's policies and procedures are summarized and attached for your review (Attachment 2). A chart comparing each of these states' policies and procedures is presented at Attachment 1.

Policies and procedures used by state agencies that responded to our information request are summarized and attached in Attachment 3. Attachments 3-A-1 through 3-D are the individual responses. State agencies which did not respond include the Commissioner of Elections, the Public Service Commission, the Louisiana Special Education Center, the Louisiana Educational Television Authority, Department of Environmental Quality, the Governor's Office, and the Louisiana Stadium and Exposition District. Responses were not received from various board and commissions; however, it should be noted that a majority of these agencies either do not have receivables or the amount is insignificant. A list of all agencies that did not respond is presented in Attachment 4.

## **EXECUTIVE SUMMARY**

The following Executive summary gives a brief overview of the major areas relating to accounts receivable, collections policies, and reporting procedures.

### **Age of Receivables:**

All states surveyed age their receivables monthly. The general consensus is that the receivable is past due after 30 days, and each consecutive 30 days past due makes it that much more unlikely that the receivable will be collected. Collection procedures are more aggressive as the 30 days past due becomes 60, 90, and 180 days old.

### **Un-collectible Receivables:**

Annually, the states' receivables are reviewed to determine an "allowance for doubtful accounts" and the amount to be written off for financial reporting purposes only; the debt is not forgiven even if it is not included in financial statements. The criteria for an account to be identified as un-collectible are generally based on the age of the receivable, the best interest of the state, use of an allowance, such as percentage of sales or percentage of receivables, or when all collection activities have been exhausted.

The standards that Louisiana state agencies use to determine that a debt is un-collectible are very similar to other states. For example, Department of Economic Development defines an un-collectible receivable as any outstanding debt that is in excess of one year old. An account for Louisiana Economic Development Corporation is un-collectible when all collection measures have been exhausted for fees associated with a particular loan agreement.

### **Central Collection Agency:**

Only four of the states surveyed (Colorado, Massachusetts, Minnesota, and Utah) have a central collection agency within the state controller's office as well as a central statewide accounts receivable system with statewide accounts receivable policies and procedures. Colorado's central agency/system has shown a definite increase in collections and has proven somewhat profitable since its inception in 1987. Massachusetts' central agency/system has shown a tremendous increase in collections and provides the state with uniform accounts receivable reporting since its inception in 1992. Utah's central agency/system has proven a more reliable

source for receivable reporting with a steady increase in collections every year since its inception in 1997. Minnesota was not accessible for comments.

Six other states (Alaska, Kentucky, Missouri, Virginia, Washington, and Wisconsin) have a central accounts receivable system that allows each agency to establish their own accounts receivable policies and procedures. The remaining states allow each agency to establish policies and procedures and maintain individual systems to account for and report receivables. All states utilize private collection agencies and the Attorney General's office for collections even if a central collection agency has been established within their state organization.

#### **Write-off of Receivables:**

Several factors are used to determine what accounts are to be written off. Factors most often used include the age of the account (at least one year old); whether all collection activities have been exhausted (i.e. using a collection agency, the attorney general, an offset program, etc); if the debtor is bankrupt or the business is no longer in operation; what collections, if any, are the results of the tax-offset process; and if the debtor's location is unknown. Alaska, Colorado, Connecticut, Kansas, Minnesota, Missouri, Utah, and Wisconsin require approval from a specified control agency before an agency can write-off a debt. Accounts can only be written off the books for financial reporting purposes. The remaining states allow each agency's Director to have the final approval on writing-off accounts within their respective agency. None of the states have statutes of limitations on collection of accounts receivable.

#### **Other Collection Methods:**

Only Missouri, Nevada, Washington, and Wisconsin do not provide for the offset of amounts due to a debtor from the state or a state agency. The remaining states allow the use of offsets against tax refunds, unemployment benefits, federal levies, and lottery winnings. Other collection methods used include garnishments, warrant or voucher intercepts, and revenue recapture. At least one of these methods, usually more than one, is used before any account is written off for financial reporting. Once all available methods have been tried, the account can be written off using procedures established for financial statement reporting.

Only six Louisiana departments/agencies are allowed by LRS 47:299.2 to claim offsets against state income tax refunds due to debtors of those agencies.

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The six specified in the statutes are the Department of Justice Collections Section, Louisiana Student Financial Assistance Commission's Student Loan Collection Section, the Division of Support Enforcement of the Office of Family Support in the Department of Social Services (DSS), any other office or facility of DSS and the Department of Health and Hospitals, the Department of Public Safety and Corrections, and the Department of Labor.

This is an area that could be greatly expanded to enhance collection activities. In addition to allowing offsets against individual income tax refunds, a program or programs could be established to provide for offsets against other payments by the state, such as those mentioned above. By making statutory provisions permitting all state departments/agencies to participate, collection activities would improve and receivables would not remain on the books for extended periods of time.

**Accounts Receivable Reporting:**

Information provided by most of the states on reporting accounts receivable does not specify whether reporting is more frequent than annually. Colorado, Illinois, Massachusetts, Minnesota, Nevada, Virginia, Washington, and Wisconsin specifically require quarterly reporting of accounts receivable. Each state has its own reporting format for Accounts Receivable; however, all the reports categorize receivables by age, by un-collectibility, and amounts written-off. The due date for reporting is either 30 or 45 days after the period ends.

If you have any questions concerning the information presented or require additional information, please contact Ms. Katherine Porche at (225) 219-4442 or Mr. Howard Karlton at (225) 342-0708.

Sincerely,



Mark C. Drennen  
Commissioner of Administration

MCD/FHK/sm

Attachments

Attch 2017

Accounts Receivable Report  
Comparison of Activity

States Surveyed	Centralized Accounts Receivable System	COLLECTION AGENCY		WRITE - OFFS		COLLECTION ACTIONS					Reporting Timeframe *
		Central Collection Agency	Private Collection Agency	Agency Approval	Controller's Approval	Attorney General (Garnishments)	Tax Refund Offset	Warrant or Vendor Intercept	Lottery Proceeds Offset	Unemployment Benefits	
1 Alaska	X		X	X	X	X	X				N/A
2 California			X	X		X	X	X		X	1
3 Colorado	X	X	X	X	X	X	X				4
4 Connecticut			X	X	X	X	X	X			
5 Idaho			X	X		X	X				1
6 Illinois			X	X		X	X	X	X		4
7 Kansas			X	X	X	X	X	X	X	X	1
8 Kentucky	X		X	X		X	X	X			N/A
9 Massachusetts	X	X	X	X		X	X	X			4
10 Minnesota	X	X	X	X	X	X	X	X			4
11 Missouri	X		X	X	X	X					1
12 Nevada			X	X		X		X			4
13 North Carolina			X	X		X	X	X			1
14 Utah	X	X	X	X	X	X	X				1
15 Virginia	X		X	X		X	X	X			4
16 Washington	X		X	X		X					4
17 Wisconsin	X	X	X	X	X	X					4

\* Note: 1 -- Annually  
2 -- Semi-Annually  
4 -- Quarterly  
N/A -- Not Available